



**Financial Results for First Quarter of
Fiscal 2014, ending March 31, 2014**

August 5, 2013

Fiscal 2014 (1Q) : Consolidated Highlights

1

Net sales: ¥57.8 billion (up 9.1% year-on-year)

Revenue boosted by sales recovery overseas and foreign exchange factors, as well as healthy domestic sales

Operating income: ¥4.4 billion (up 3.7%)

Increase only moderate due to higher SG&A expenses overseas

Ordinary income: ¥5.2 billion (up 9.6%)

Boosted by higher operating income and foreign exchange gain

Net income: ¥3.2 billion (up 0.7%)

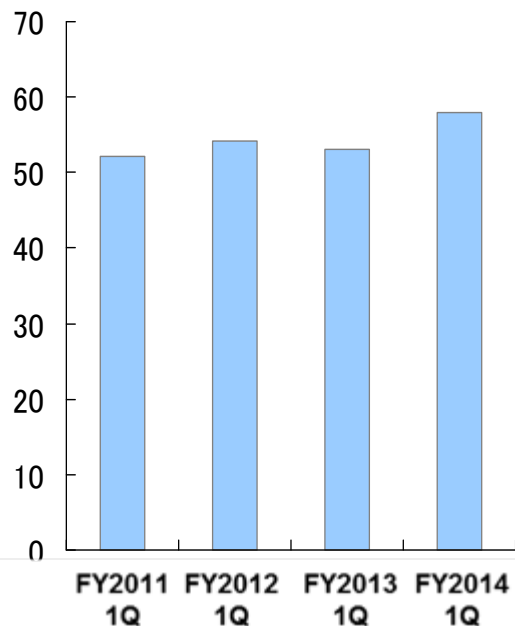
Increase only slight due to higher tax burden

- Both net sales and net income reach record highs
- Solid start to second year of medium-term business plan, Jump Up 2104

Consolidated Financial Results (1Q)

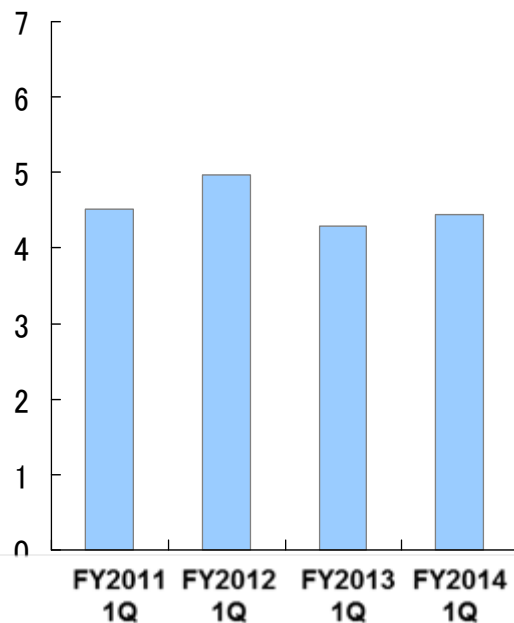
Net Sales

[Billions of yen]



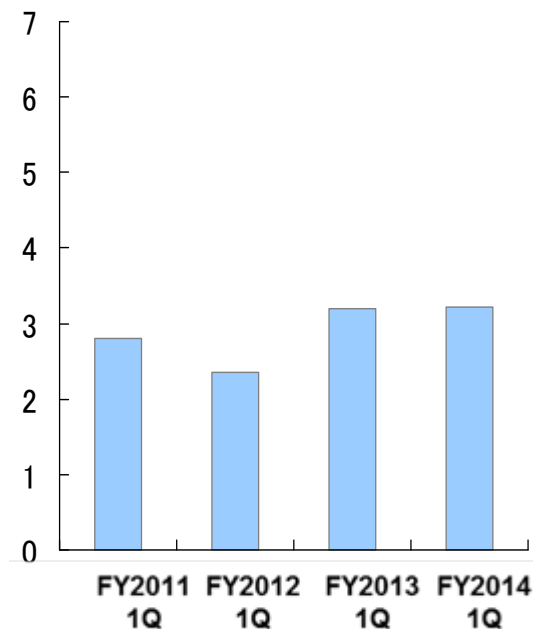
Operating Income

[Billions of yen]



Net Income

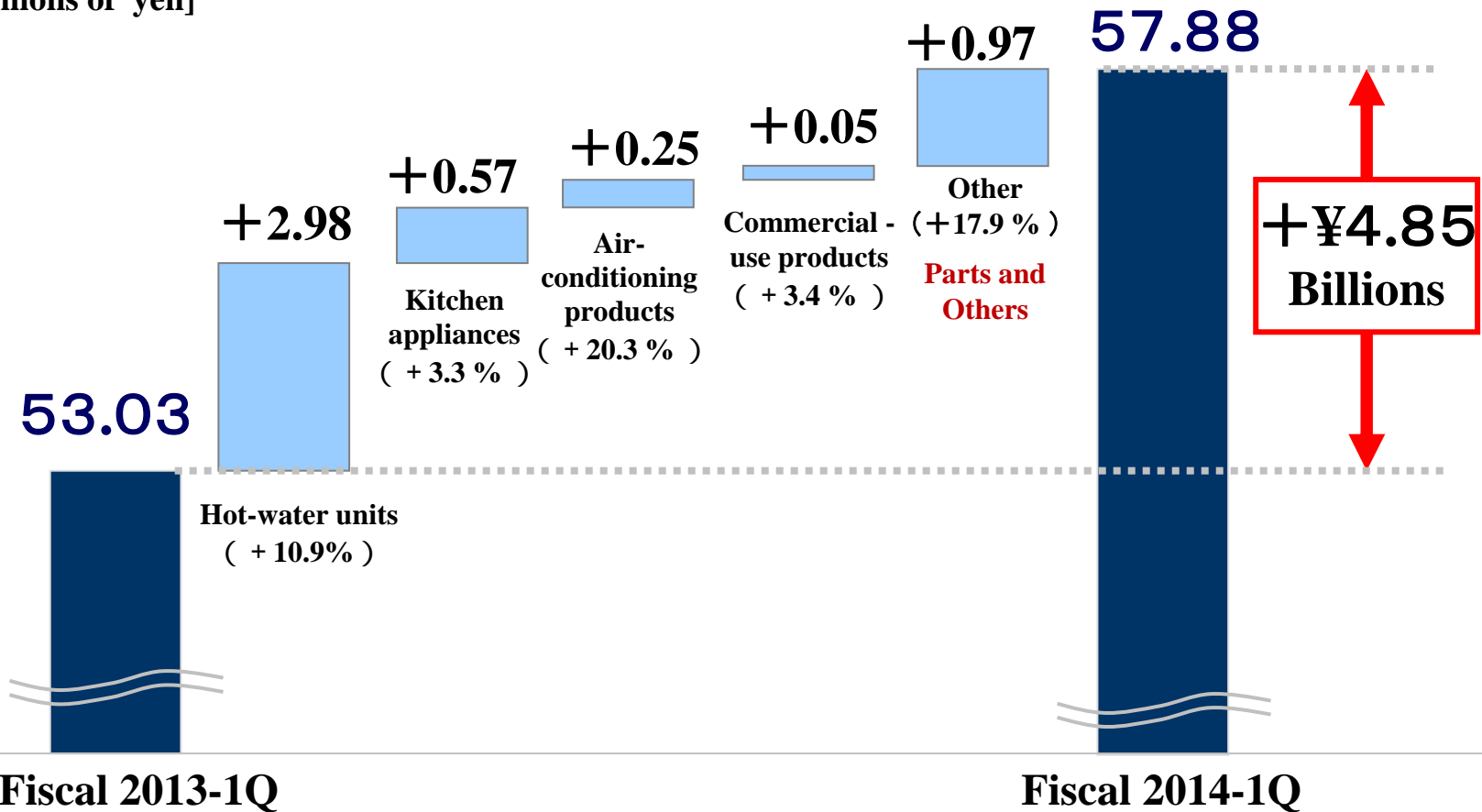
[Billions of yen]



- Operating margin down 0.4 point year-on-year but remained high at 7.7%, reflecting continuation of real growth

Fiscal 2014 (1Q): Consolidated Net Sales by Products 3

[Billions of yen]



- Hot-water units: Sales driven by shift to high-value-added products in Japan, as well as sales recovery in North America and China
- Kitchen appliances: Sales up thanks to rush in demand related to mandated sensors on burners in South Korea

Fiscal 2014 (1Q): Consolidated Sales/Income Results

4

[Billions of yen]

	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	57.88	+9.1%	4.45	+3.7%	7.7%	-0.4P



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	41.67	+4.9%	3.56	+13.8%	8.5%	+0.7P
Domestic	21.83	+3.0%	0.35	+10.4%	1.6%	+0.1P
Overseas	20.82	+22.6%	0.54	-42.5%	2.6%	-3.0P
Total	84.33	+8.2%	4.46	+1.4%	5.3%	-0.4P

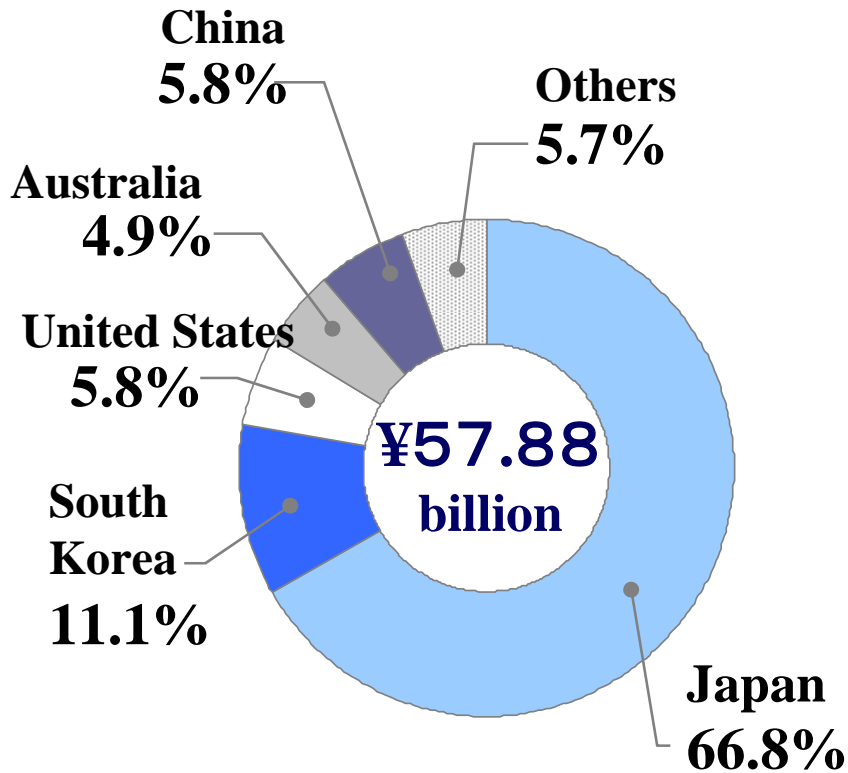
Overseas Consolidated Subsidiaries: FX Impact (reference) 5

*Below shows difference between actual Fiscal 2014 local-currency results and results if previous year's exchange rates were used.

(FX impact: ¥ millions) Rate: ¥	FX impact	Currency	FY2013-1Q avg. rate	FY2014-1Q avg. rate	FY2014 assumed rate	Composition of overseas sales
Rinnai Australia	333	AUD	83.223	94.403	95.000	14.6%
Rinnai New Zealand	60	NZD	64.518	75.680	76.000	2.1%
Rinnai America	436	USD	79.248	91.070	92.000	17.5%
Rinnai Brazil HT	19	BRL	44.426	45.441	45.000	4.5%
Shanghai Rinnai	474	RMB	12.573	14.655	14.000	17.4%
Rinnai Korea	955	KRW	0.070	0.084	0.084	30.0%
Rinnai Vietnam	34	VND	0.004	0.004	0.004	1.3%
Rinnai Thailand	96	THB	2.563	3.048	3.000	3.1%
Rinnai Taiwan	139	NTD	2.668	3.083	3.000	5.4%
Rinnai Hong Kong	2	HKD	10.208	11.743	12.000	0.1%
Others	124					4.0%
Total	2,673					100.0%

Consolidated Net Sales by Geographical Segment

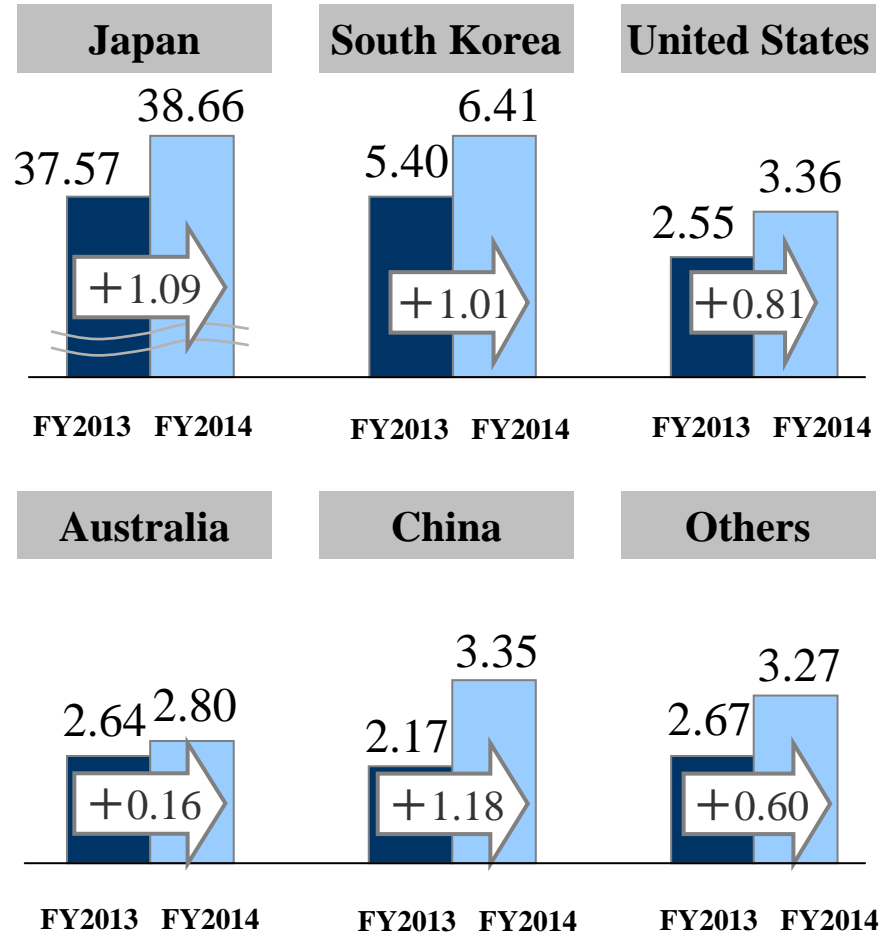
**Fiscal 2014-1Q
Consolidated Net Sales**



Composition of Others :
Local group companies in Taiwan, Thailand,
New Zealand, Brazil, Vietnam and etc.

**YOY Change
by Geographical Segment**

[Billions of yen]



Sales by Business Segment (Hot-water units)

Composition ratio : 52.5%

[Billions of yen]	Fiscal 2013 1Q	Fiscal 2014 1Q	YOY Change
Japan	17.58	18.68	+ 6.2%
South Korea	2.56	2.40	- 6.3%
United States	2.35	3.12	+ 33.0%
Australia	1.74	1.77	+ 1.3%
China	1.84	2.80	+ 52.2%
Others	1.31	1.60	+ 22.4%
Total	27.40	30.39	+ 10.9%



- Domestic sales benefited from accelerated shift to high-value-added products, such as hot-water/heating systems
- Healthy local sales in North America thanks to economic recovery, and in China thanks to improved living standards
- Weak sales in South Korea and Australia due to economic deterioration

Sales by Business Segment (Kitchen appliances)

Composition ratio : 30.8%

[Billions of yen]

	Fiscal 2013 1Q	Fiscal 2014 1Q	YOY Change
Japan	14.87	14.70	- 1.2%
South Korea	1.34	1.84	+ 36.6%
China	0.31	0.40	+ 28.4%
Others	0.68	0.85	+ 24.1%
Total	17.23	17.80	+ 3.3%



Japan



South Korea



China

- Japan: Growth in sales of built-in stoves and range hoods amid increasing popularity of system-based kitchens
- South Korea: Sales up thanks to rush in demand related to mandated sensors on burners

Sales by Business Segment (Air-conditioning products) 9

[Billions of yen]	Fiscal 2013 1Q	Fiscal 2014 1Q	YOY Change
Japan	0.46	0.59	+28.3%
South Korea	0.01	0.01	+7.8%
United States	0.19	0.19	+0.8%
Australia	0.50	0.62	+24.6%
Others	0.07	0.07	- 2.7%
Total	1.26	1.51	+20.3%

Composition ratio : 2.6%



Japan

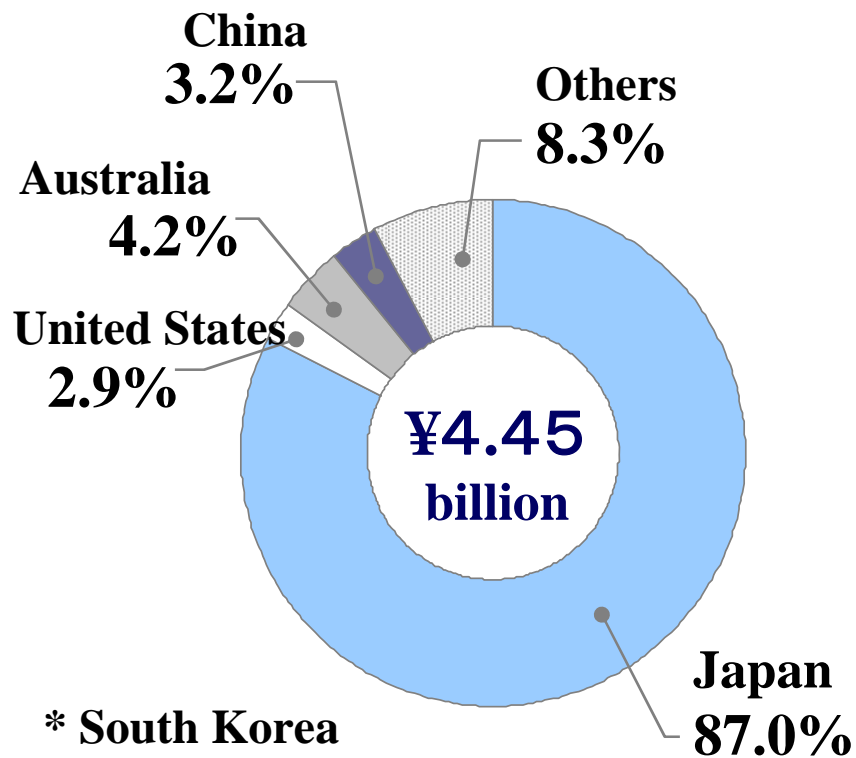


Australia

- Japan: Continued shift to gas heaters amid heightened electricity-reduction sentiment
- Australia: Growth in sales of household-use heaters

Consolidated Operating Income by Geographical Segment

Fiscal 2014-1Q Consolidated Operating Income

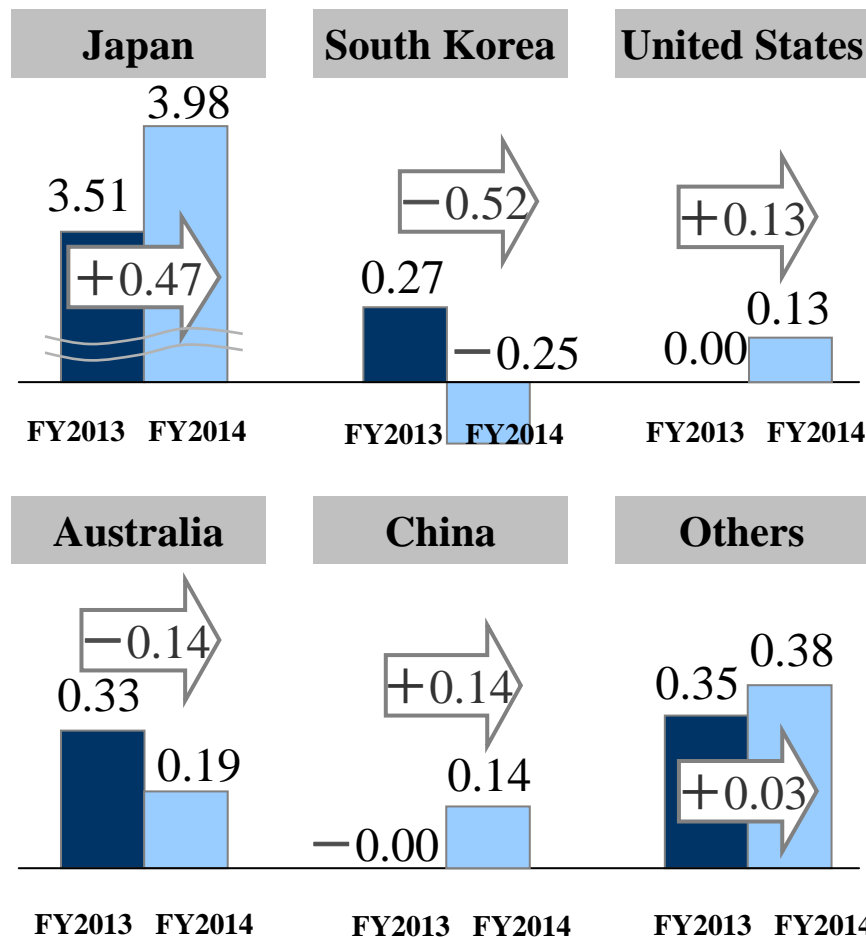


* South Korea
¥250 million of operating loss

Composition of Others :
Local group companies in Taiwan, Thailand, Vietnam,
New Zealand, Brazil and etc.

YOY Change by Geographical Segment

[Billions of yen]

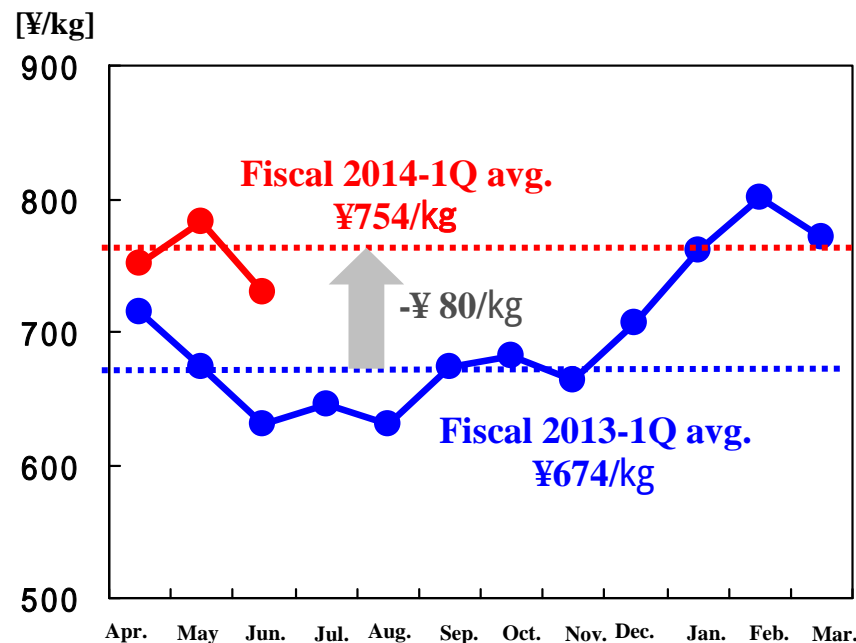


Electrolytic Copper

- Fiscal 2014 average assumed price: ¥820/kg
- Prices trending lower than assumed price

	Fiscal 2014 1Q avg.	Fiscal 2013 1Q avg.	YOY change
Avg. price	754	674	+12.0%

Used in: Hot-Water units (Heat exchangers, etc.)

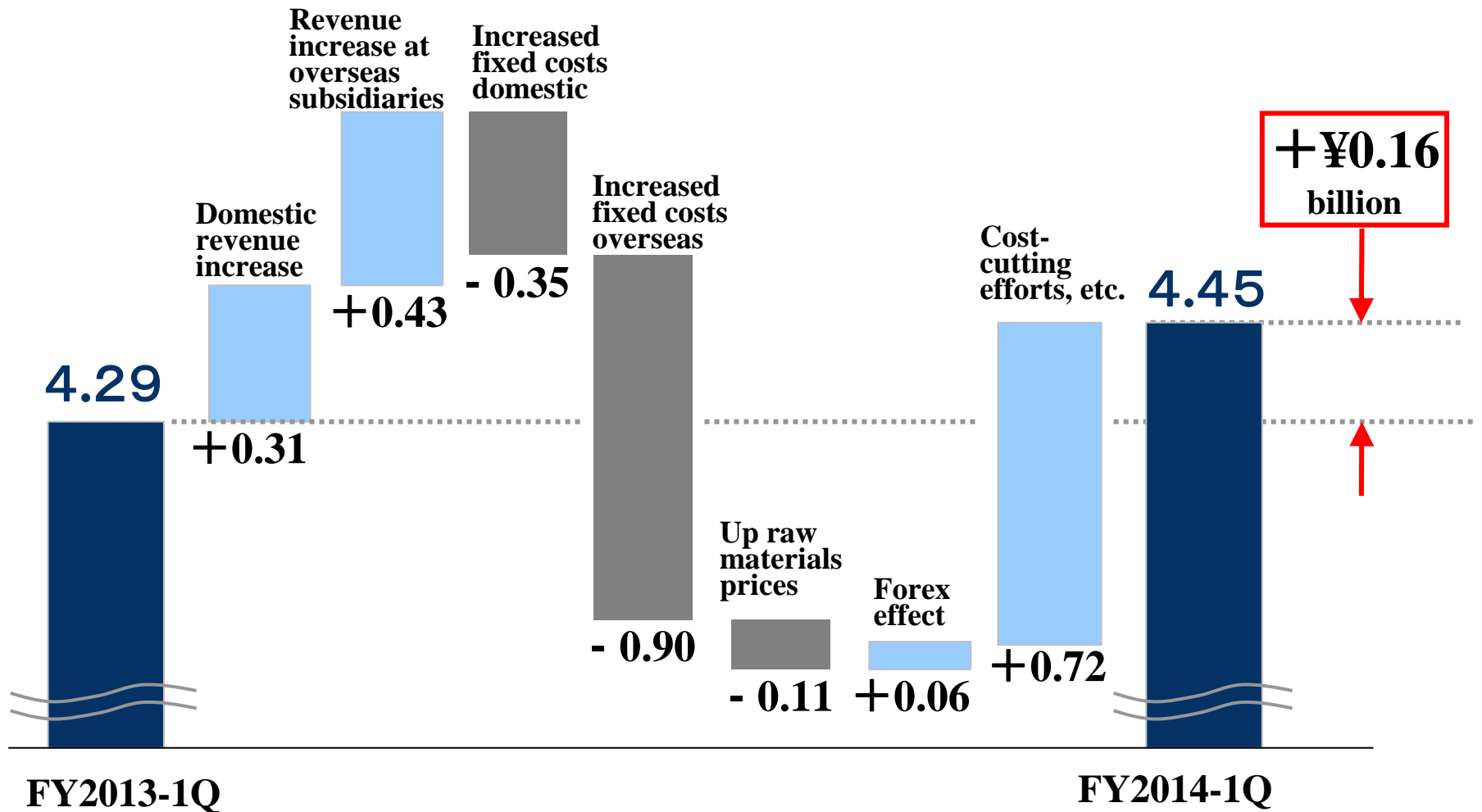


Steel

- Iron and steel prices trending on a par with Fiscal 2013 prices

Fiscal 2014 (1Q): Consolidated Operating Income

[Billions of yen]



FY2013-1Q

FY2014-1Q

Medium-Term Business Plan “Jump UP 2014” (From April 1, 2012 to March 31, 2015)

Aims

Contribute to people’s lives worldwide and the global environment as a comprehensive heat-energy appliance manufacturer

- ▶ **Product vision:** Comprehensive heating appliance manufacturer that delivers environmentally responsible products
- ▶ **Regional vision:** Global company that improves the lifestyles of people all over the world
- ▶ **Business vision:** Company with a unique business model that attracts people and business partners

“Three Jump Up” Priorities

- 1 **Raise product quality** in pursuit of zero defects
- 2 **Raise versatility** through reforms of development, production, and sales processes
- 3 **Raise organizational strength** through human resource development and Groupwide interaction

Fiscal 2015 Targets

Net Sales	280 billion yen
Operating income	33 billion yen
Operating income ratio	11.8%

Medium-Term Business Plan, Targets

《Consolidated》		Medium-Term Business Plan “Jump UP 2014”				
[Billions of yen]		Fiscal 2013 (actual)	Fiscal 2014 1Q (actual)	Fiscal 2014 Target (1 st half)	Fiscal 2014 Target (full year)	Fiscal 2015 Target (full year)
Net Sales		251.8	57.8	124.0	268.0	280.0
Breakdown	Domestic	172.9	36.9	80.0	176.0	180.0
	Overseas	78.9	20.9	44.0	92.0	100.0
Operating Income		26.3	4.4	12.0	30.0	33.0
Operating Margin		10.5%	7.7%	9.7%	11.2%	11.8%

**“Jump Up” to the next generation
by following a medium-to-long-term growth trajectory**

Cost and comfort

Morning

Daytime

Night

ECO ONE

Electricity savings throughout the day; housework not concentrated on morning or evening, so effortless



Clothes dry in the bathroom even on rainy days



Lots of hot water that never runs out



Floor heating add extra powerful touch

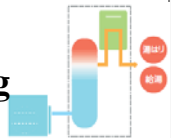
Solar and ECO ONE

Combining these two helps reduce day-round electricity use, thus increasing the amount sold back to the grid



Learning function

Learn about past hot-water consumption patterns, resulting in more efficient hot-water use reflecting lifestyles of various households



Compact, with multiple installation variations

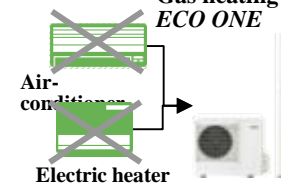
The system is compact and can be installed to match the space available (Can even be installed in salt-affected areas and multi-dwelling buildings)



Contributes to electricity reduction

Gas is used to compensate for electricity's shortfalls, resulting in more efficient energy usage lower electricity consumption

Not electric heating but... Gas heating with ECO ONE



No. 1 hot-water unit for energy-saving performance, and actively introduced responding to the diversified market needs

Gas Hot-Water/Heating System

Single heating unit controls everything from hot water to room heating:
Gas hot-water/heating system provides more comfortable lifestyles



Bathroom heater/dryers
(Built-in ceiling type;
wall-mounted type)



Fan convector



Panel heater



Floor heaters
(High-efficiency type; traditional
type; simple hot-water mat type)



Heating unit

Utaseyu bath **Mist sauna**

Micro Air Bubble Bath



ECOJOY **ECO ONE**

**Hybrid hot-water/heating
System and units**



**Future applications in home
energy management system
(HEM) networks**

New advances in popular *DELICIA* Series



More user-friendly and easier to clean, with improved function and design, in response to customer feedback



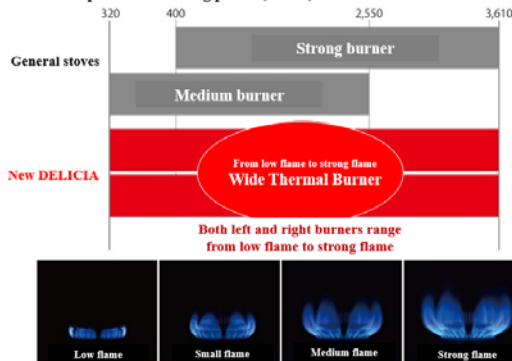
Popular **Heat OFF** and **Smoke OFF** functions retained; large, easy-to-read dot-matrix LCD display added

New

DELICIA

August 1 launch

■ Comparison of heating power (kcal/h)



Both left and right burners are wide-range thermal burners ranging from simmering flame to strong flame

Industry's first continuous auto grill allows two continuous automatic cooking operations to be performed



Easier to install and more stable thanks to longer horizontal trivet extensions

Tabletop Stoves

Easy and fun to use, with functionality and attractive design



All of the highly acclaimed cooking and easy-maintenance functions of the high-end *Ancie* series adopted:



Heat OFF



Auto grill function



Simplified grill

LAKUCIE

August 26 launch

Three color selections to suit kitchen styling and interior design sense



Pink tone



Red tone



Brown tone

Power of gas leaves clothes soft and full



First full model change in 13 years

- Helps shorten clothes-drying cycle** and reduce housekeeping time
- Clean drying with same antibacterial effect as drying in the sun
- **No need to dry outside so no worry about pollen season or atmospheric pollution**
- Soft on the fabric fibers for comfortable results
- Plasmacluster Ion technology adopted (reduces static electricity)

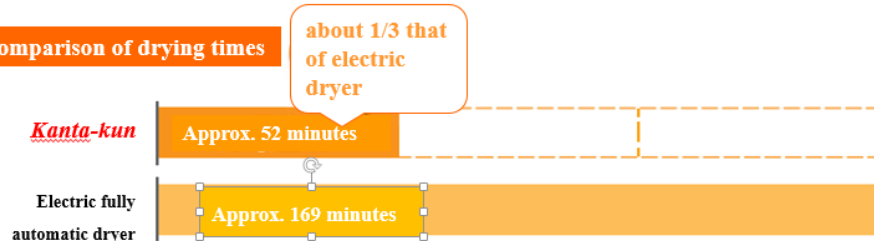


* The Plasmacluster Ion logo and name (in Japanese and English) are registered trademarks of Sharp Corporation.

Speedy Kanta-kun

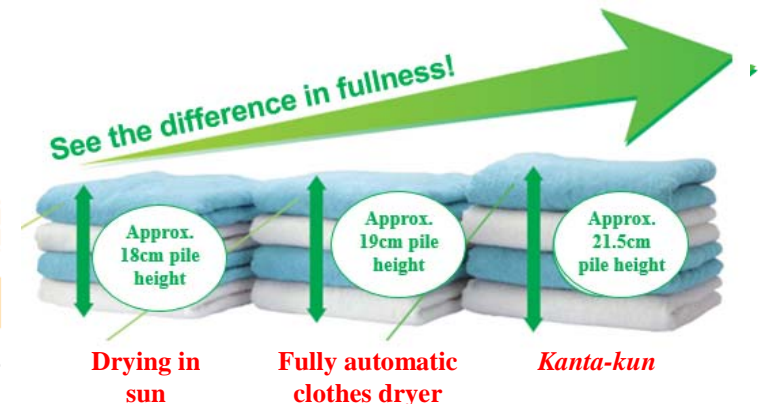
Launched June 21

Comparison of drying times



* Assumptions: 5kg clothes load (50% cotton; 50% polyester); 70% dehydration degree; using RDT-52S model; drum-type model used for electric clothes dryer; LPG used as gas; based on Rinnai research

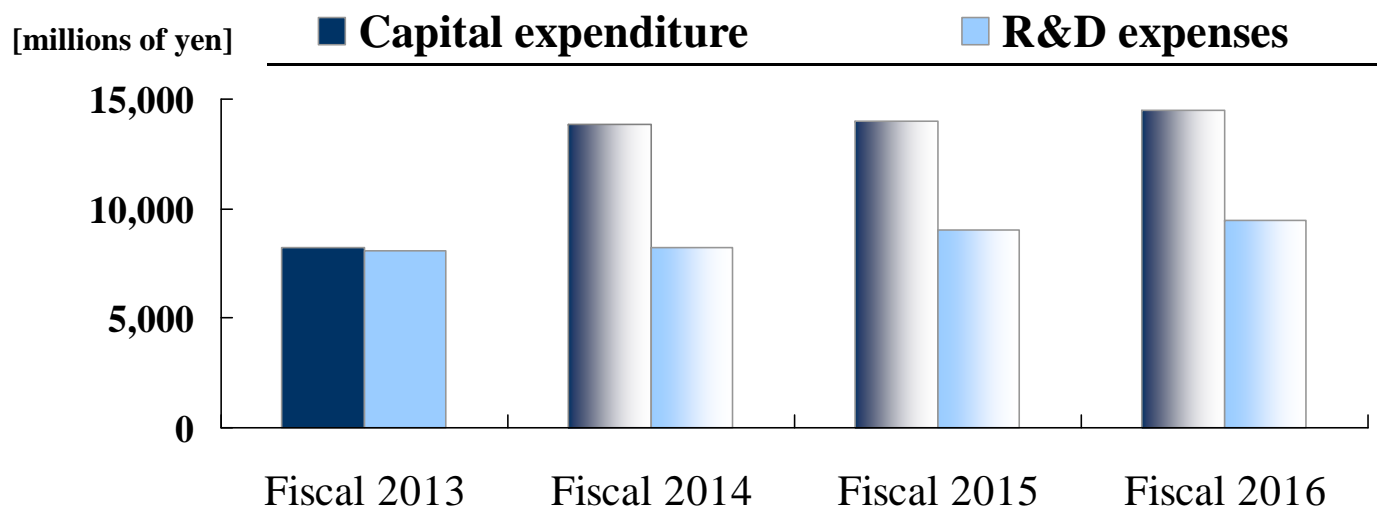
Powerful warm gas blast shorten drying times, about 1/3 that of electric dryer



Powerful warm gas blast sent through the large-capacity drum leaves clothes soft and full

Consolidated Capital Expenditure Plan

20



Investment Aims

Japan

- Rebuild production system (reform to create large-scale production system able to swiftly address needs of the times)
- Increase production capacity for long-term growth products, such as hybrid hot-water units and hot-water/heating systems
- Control costs of new product development and core products (expand system products, *Eco Jozu*, etc.)
- Strengthen and upgrade sales operations and service system (Kanto, Kansai, Chubu, Hokkaido, etc.)

Overseas

- Strengthen and extend production plants according to growing demand for heating products on emerging nations (China, Thailand, etc.)
- Invest in molding equipment for new product introductions and equipment to rationalize production (for adding sensors to stoves in South Korea, for example)

Rebuild Production System in Japan

Three-year product manufacturing reform plan centered on first new domestic plant in 34 years



Established 1964



Established 1979

First time in 34 years

Building an integrated system for efficient manufacture of system components, the key to future growth

Production to start in 2013

Groupwide reorganization



Akatsuki Plant



Oguchi Plant



Seto Plant

Stoves	Hot-water units
Fan heaters	Rice cookers etc.

<i>ECO ONE</i>	Bathroom heaters
----------------	------------------

Hot-water/heating systems	Floor heaters etc.
---------------------------	--------------------

To date
Aggregation of standalone product manufacturing

- Promote centralization of existing products and reduced costs of new offerings via integrated production
- Upgrade system-based offerings and expand production capacity to support future growth
- Innovate production, distribution, service, and parts supply systems

Rinnai

EXPERIENCE OUR INNOVATION

Performance forecasts and other future-oriented predictions contained in these materials are based on the Company's judgments using available information. Actual results may differ from such forecasts and predictions due to changing future circumstances.